Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 1436 (Committee on Revenue and Taxation) – As Introduced March 11, 2026

Policy Committee: Revenue and Taxation Vote: 6 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill makes various changes to the Accelerated Remittance Program (ARP) and state conformity with the federal Achieving a Better Life Experience (ABLE) Program.

Specifically, this bill:

1) Allows the Department of Tax and Fee Administration (CDTFA) to reinstate the exemption of a licensed dealer from the ARP if certain conditions are met, after previously revoking the exemption because the dealer failed to meet certain requirements, and requires CDTFA to notify the dealer of such reinstatement.

2) For taxable years beginning on or after January 1, 2026, conforms state tax law to certain recent changes made to federal tax law regarding the ABLE Program.

FISCAL EFFECT:

1) Minor and absorbable costs to CDTFA to reinstate revoked ARP exemptions and notify affected licensed dealers.

2) General Fund revenue loss of approximately $40,000 in fiscal year (FY) 2026-27, $20,000 in FY 2027-28, and $30,000 in FY 2028-29 by conforming state Personal Income Tax (PIT) and Corporation Tax (CT) Law to recent federal ABLE Program changes. Additionally, minor and absorbable costs to the Franchise Tax Board to implement conformity provisions.

COMMENTS:

1) **Purpose.** According to the author, this bill "combines two noncontroversial provisions: one matter raised by CDTFA regarding the administration of exemptions to the [ARP], and one matter raised by the Treasurer's Office regarding ABLE account conformity with federal law." This bill is supported by State Treasurer Fiona Ma and the California Taxpayers Association.

2) **Background.** ***ARP.*** The ARP was implemented as an effort to close the sales and use tax (SUT) gap from non-compliant used car dealers. Under the ARP, certain used motor vehicle dealers are required to pay SUT on the dealer's retail sales of certain used vehicles directly to the Department of Motor Vehicles (DMV), acting on behalf of CDTFA, within 30 days from the date of the sale when submitting the vehicle registration application. CDTFA may exempt a dealer from paying SUT directly to DMV if the dealer sells 1,000 or more vehicles

in a calendar year and has an account in good standing, for which the dealer has timely filed and made applicable payments in the 12 preceding quarterly reporting periods. CDTFA may also revoke a dealer's exemption if the dealer is no longer in good standing. However, existing law does not provide a mechanism for CDTFA to reinstate the revoked exemption once a dealer's compliance is restored. This bill provides such a mechanism.

ABLE Program. Federal law authorizes each state to establish a program allowing individuals to contribute to an ABLE account to support "qualified disability expenses" of the account's designated beneficiary, such as expenses for education, housing, transportation, employment training, assistive technology, health, financial management, and legal fees. After-tax contributions allow earnings to grow tax-deferred, and withdrawals, when used for qualified disability expenses, are federal and state tax-free. ABLE accounts also enable eligible individuals to build savings without impacting their eligibility for means-tested public benefits, such as Medicaid/Medi-Cal.

In accordance with federal law, the state Qualified ABLE (CalABLE) Program opened to the public on December 18, 2018. Since then, the Legislature has enacted several measures to conform to subsequent federal changes regarding ABLE accounts. Most recently, AB 339 (Irwin), Chapter 324, Statutes of 2023, conformed state law to changes made by the Consolidated Appropriations Act of 2023 that increased the age, from 26 to 46, prior to which an individual's blindness or disability must have begun to qualify for the program.

In 2025, H.R. 1 modified the ABLE Program by: (a) amending the inflation-indexing cross-reference for contribution limits in a manner that generally results in a higher annual contribution limit, and (b) making "ABLE-to-Work" rules permanent, otherwise set to expire at the end of 2025, that allow an employed individual with disabilities to contribute additional income to their own ABLE account beyond the annual limit if the individual is not contributing to a defined contribution retirement plan. However, since state tax law generally conforms to federal tax law as of January 1, 2025, the changes related to ABLE accounts made by H.R. 1 do not apply in California. This bill provides such conformity to the increased contribution limits under federal law.

3) **Related Legislation.** SB 1435 (Committee on Revenue and Taxation) updates provisions of state tax law to further conform to federal tax law as a clean-up measure to SB 711 (McNerney), Chapter 231, Statutes of 2025, which enacted California's current date-change conformity of January 1, 2025. SB 1435 is pending hearing by this committee.

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